



Insight

Parsing the CBOs Projections of Insurance Coverage under the American Health Care Act

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This week, the Congressional Budget Office (CBO) released its highly-anticipated report on the budgetary and health coverage effects of the [American Health Care Act](#) (AHCA)—Republicans’ proposal to deliver on the long-promised repeal and replacement of Obamacare.^[1] While there are a number of important issues to address emanating from the score, the headlines have focused on insurance coverage totals under the legislation.

CBO’S RECENT SCORING HISTORY

CBO’s nonpartisan analysts are top notch professionals, but they do face limitations in carrying out their scorekeeping role. In this case, most coverage has glossed over the unfortunate reality that CBO was forced to use their March 2016 baseline projections as a starting point for analyzing AHCA, as a complete 2017 baseline has not yet been published.^[2] This is problematic for several reasons, but the one most relevant to the coverage discussion is that CBO’s 2016 baseline was—according to no less an authority than CBO itself—wrong on the matter of Nongroup (individual) insurance coverage. As you can see in Table 1, CBO projected that this year, 2017, there would be 24 million people enrolled in health insurance coverage in the Nongroup market and fully 15 million people enrolled in coverage through the federal and state Obamacare exchanges. Looking to 2026, CBO expected that coverage through the exchanges would have risen to 18 million and total Nongroup market coverage would be 25 million.

Table 1. March 2016 CBO Baseline

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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Exchanges	15	18	19	19	19	19	18	18	18	18
Non-Exchange	9	8	8	8	7	7	7	7	7	7
Total Nongroup	24	26	27	27	26	26	26	26	25	25
Basic Health Program	1	1	1	1	1	1	1	1	1	1
Medicaid Expansion	11	12	12	13	13	14	14	14	15	15
Total Medicaid	67	67	67	68	69	69	70	70	71	71
ESI	155	153	152	152	152	152	152	152	152	152
Uninsured	26	26	27	27	27	27	27	28	28	28

It is from this baseline that CBO evaluated the effects of the AHCA on insurance coverage. Those results are detailed in Table 2.

Table 2. AHCA Relative to March 2016 Baseline										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Nongroup	-2	-6	-7	-9	-8	-8	-6	-5	-4	-2
Total Medicaid	-1	-5	-6	-9	-12	-13	-13	-14	-14	-14
ESI	-1	-2	-2	-2	-2	-2	-3	-5	-5	-7
Basic Health Program	*	*	*	-1	-1	-1	-1	-1	-1	-1
Total Drop in Insured	-4	-14	-16	-21	-23	-23	-23	-24	-24	-24

However, in January 2017, CBO released an incomplete update that focused insurance projections for the Nongroup market, Medicaid expansion, Basic Health Program,^[3] and uninsured.^[4] Because the January revision was incomplete, CBO could not base its score of AHCA on this revised information. And, because of the limited details in the January revision, the only straight-line coverage comparisons that can be made are with those specific sub-populations, specifically the Total Nongroup and the Uninsured.

Nonetheless, it is noteworthy that from 2016 to 2017, CBO downgraded their exchange

population estimate from 18 million to 11 million and the total Nongroup from 26 to 19. In other words—as can be seen in Table 3—in their March 2016 projections they overestimated the exchange population by 7 million in 2018 and by 5 million in 2026. This was the only substantial change in CBO’s January 2017 partial update. The populations in the Medicaid expansion, Basic Health Plan, and Uninsured remain relatively the same.

Because Nongroup coverage projections were smaller while everything else remained constant, CBO concluded that most people they previously projected would purchase insurance in the individual market will instead be covered by employer-sponsored insurance.

Table 3. January 2017 CBO Baseline										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Exchange	10	11	12	13	13	13	13	13	13	13
Non Exchange	8	8	8	8	7	7	7	7	7	7
Total Nongroup	18	19	20	21	21	21	21	20	20	20
Medicaid Expansion	12	12	12	12	13	13	14	14	15	16
Basic Health Program	1	1	1	1	1	1	1	1	1	1
Uninsured	27	28	28	28	28	28	28	28	28	27

WHAT IT MEANS FOR THE AHCA SCORE

Because the CBO overestimated individual market coverage by 5 to 7 million in March of 2016, it is likely that the loss-in-coverage estimates for the AHCA’s Nongroup marketplace are inappropriately high. In fact, the 2 million reduction in the exchange population projected by CBO in their analysis of AHCA, looks more like a 3 million increase in enrollment when it’s compared to CBO’s 2017 baseline revisions in Table 4.^[5] Furthermore, because they assume more people are covered by employers than previously, it is probable that CBO’s assumptions made in 2016 about the likelihood of someone turning down an employer offer or that an employer stops offering insurance are too strong. So not only does the employer-sponsored market likely enroll 5 to 7 million more people, it is also likely that certain of CBO’s

assumptions about employer-sponsored enrollment in the score of the AHCA are incorrect.

Table 4. Nongroup Enrollment Comparison AHCA vs CBO 2017 (millions)										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Nongroup AHCA	22	20	20	18	18	18	20	21	21	23
Total Nongroup CBO 2017	18	19	20	21	21	21	21	20	20	20
Difference (AHCA-2017)	4	1	*	-3	-3	-3	-1	1	1	3

It should also be noted that when CBO counts the number of uninsured people, they include people who are Medicaid-eligible and fail to enroll—even though Medicaid covers health care expenses retroactively once an individual enrolls. Medicaid eligible people who fail to sign up are functionally insured, but CBO counts them as uninsured. Therefore, CBO expects Medicaid enrollment to drop significantly in 2018 and 2019 solely as a result of repealing the individual mandate. It is reasonable to conclude that in 2020 and beyond, much of the continued decline in Medicaid enrollment is also a result of repealing the individual mandate.

In reality, much of the drop in the insured population projected by the CBO’s score of the AHCA may well be currently insured through an employer or are functionally insured through Medicaid—especially in 2018 and 2019. Based upon what we’ve learned in CBO’s partial 2017 baseline, there’s a good chance that the employer drop projected for the AHCA is similarly less dramatic.

In summation, in evaluating the effects of a legislative proposal, the starting point and underlying assumptions are determinative. In the case of CBO’s score of the AHCA, they are working off an old baseline that represents an out-of-date projection of a reality that never came to be.

[1] https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf

[2] <https://www.cbo.gov/sites/default/files/recurringdata/51298-2016-03-healthinsurance.pdf>

[3] The Basic Health Program allows states to establish a coverage program for people with income between 138 percent and 200 percent of the federal poverty level. The federal government allocates to states funding equal to 95 percent of the subsidies for which those people would have been eligible to receive through an exchange.

[4] <https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52370-outlook.pdf>

[5] This point simply shows that CBO's score of the AHCA does not match up with what they currently believe is a reality. If CBO were to re-score the AHCA relative to a 2017 baseline, it is unclear how Nongroup enrollment would change.